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TAGS: [PGOV](#) [PREL](#) [ECON](#) [BE](#)
SUBJECT: AMBASSADOR'S MEETING WITH PM'S KEY RIVAL FLEMISH
MINISTER PRESIDENT YVES LETERME

Classified By: POLCOUNS TED ANDREWS. REASONS 1.4 (B) AND (D).

¶1. (C) SUMMARY: Belgium's politics were thrown into a cocked hat this week when Yves Leterme, Minister-President of Belgium's Flanders region and by many accounts the heir apparent to be Prime Minister next year, withdrew his alliance with a controversial right-wing nationalist, thus losing as many as five or six points in his political base. The action, combined with an apparent deal between Prime Minister Verhofstadt to mitigate the closure of a Volkswagen plant, replacing it perhaps with an Audi production line, bolstered the heretofore lagging chances of the Prime Minister's Liberal (VLD) party. END SUMMARY.

Political Climate and 2007 Federal Elections

¶2. (C) On December 1, Ambassador Korologos met with Yves Leterme, Minister-President of Flanders and the most powerful Flemish politician in Belgium apart from Prime Minister Verhofstadt. Leterme heads the Flemish Christian Democratic party (CD&V), which aligned itself with the small, moderate nationalist New Flemish Alliance (NV.A) and became the largest political force in Flanders after the 2004 regional elections. He leads a Flemish regional government composed of Christian Democrats, Socialists, Liberals, and NV.A. Leterme commented on 2007 Belgian federal elections, including his decision November 30 to split with NV.A, and Belgian institutional reform. Ambassador asked about current labor issues in Flanders, urged close coordination on export control matters, a regional competence, and updated Leterme on his future plans. Participants included notetaker Sharon Bowman and Geert Muylle, Leterme's Diplomatic Adviser.

¶3. (C) Leterme was forthcoming (and uncharacteristically pessimistic) when discussing his chances in next year's federal elections. Widely thought of as a likely candidate for Prime Minister next year, Leterme thought he had ruined his chances for that office because of his decision, the day before, to withdraw from his alliance with NV.A due to its unilateral decision to accept controversial, right-wing nationalist Senator Jean-Marie Dedecker as a member. Leterme said Dedecker, who recently left the Flemish Liberal party by mutual agreement, "defended positions and programs that are in total contradiction with my own convictions." The problem now, Leterme regretted, is "I won't be Prime Minister!" He said the partnership with NV.A had broadened his political base and created a popular alliance that was favored by 32% of the populace. Leterme thought his party would lose about five to six percentage of the voter base now, but he wanted to "believe in his program." He said he was "in doubt" as to whether to compete in the federal election next year; he will decide perhaps in February or March whether to run. When queried whether he thought he might get a boost in votes due to his standing with his principles in departing ways with NV.A, he admitted the media had been good to him so far, but

"a week is a long time in politics."

¶4. (C) Leterme thought the francophone Socialists would still play a major role in the elections, despite burgeoning party corruption scandals. He believed, however, the Socialists' legal problems would increase over the coming months due to the scandals ("justice must be done"). He said the right-wing, anti-immigration Vlaams Belang (VB) party, which failed to make major gains in the larger cities in October local elections, was "in stagnation." Leterme opined that was another reason it was a pity the CD&V-NV.A alliance fell apart -- some VB voters would have supported the CD&V and moderate nationalist NV.A to "make their vote count."

Institutional Reform/Labor Issues

¶5. (C) Leterme commented on the controversy surrounding expanded regional competencies. The debate over federal versus regional competencies was already in full swing, well in advance of the formal institutional reform discussions planned for after federal elections next year. Leterme's party has generally called for more competencies, such as taxation and social security oversight, for the regions. Leterme said the federal government would still have lots of power, but could foresee the regions gaining more power: "it depends on who wins the elections." He said Belgian francophones were not ready for reforms, and "the French want more money and the Flemish more power." Leterme wants a pragmatic approach, where "responsible federalism" could be realized through a reform of institutions and competencies.

¶6. (C) On the controversy surrounding Volkswagen's decision to stop assembling the Golf in Brussels and lay off thousands of workers, Leterme said it was uncertain whether

Volkswagen's leadership could be convinced to maintain some level of activity in Belgium until the plant in Forest could assemble a new Audi model in 2009. He said PM Verhofstadt was trying to find a way to keep workers' jobs until then. Verhofstadt has said the decision to cut jobs in Belgium and not in Germany (where assembly of the Golf will now occur in the Wolfsburg plant) was unfair and reflected a decision by VW to avoid making sensitive job cuts at home. (Comment: Belgian hourly labor costs are nearly as high as those in Germany, and the francophone-socialist dominated trade union of the Forest plant has been obstinate in refusing any concessions that make the Belgian factory a more attractive assembly point.)

¶7. (C) Ambassador urged close coordination on export control matters. Leterme indicated the Flemish government would issue a report this week or next on Flanders' nonproliferation licensing decisions.

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¶8. (U) Leterme expressed regret when Ambassador informed him of his departure next year and expressed appreciation for his efforts in Belgium. He offered his continued assistance and indicated he looked forward to working with the incoming ambassador. He doubted he would travel to the United States before the elections. He said he did not want to be out of Belgium for any prolonged period with elections coming up; he planned to make short trips to the Congo, Davos, and Qatar.

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